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ARIZONA CORPORATION COMMISSION

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April 27, 2010

Ms. Deborah R. Scott
Senior Regulatory Attorney
Pinnacle West Law Department
400 North Fifth Street
Phoenix, Arizona 85004

RE: Docket #E01345A-08-0172

Dear Ms. Scott:

It has come to my attention that the Arizona Public Service Company ("APS") Power Supply Adjustor ("PSA") is presently over-collected by more than \$100 million. This letter is to request that APS respond in writing to the following questions as soon as possible:

1. In general, what is APS' hedging policy/practice for securing fuel? In particular-
 - a. What percentage of APS' fuel is hedged?
 - b. How far in advance does APS hedge?
2. What is the interest rate that APS is earning on the over-collected PSA balance?
3. What is the interest rate that APS is paying to its rate payers on the over-collected PSA balance?
4. What is the maximum over-collection PSA balance that APS expects to reach during calendar year 2010? When does APS expect to reach this maximum?

5. What is the minimum over-collection PSA balance that APS expects to reach during calendar year 2010? When does APS expect to reach this minimum?
6. Does APS have any plans to refund some portion of the over-collected PSA balance prior to the annual true-up date of February 2011? If not, why not?

I have not yet reached any conclusions on these issues; however, I believe that the current magnitude of the over-collection may merit further examination. APS' prompt response to my questions will assist me in my future considerations.

Sincerely,

A handwritten signature in cursive script, reading "Sandra D. Kennedy". The signature is fluid and includes a large, decorative loop at the end.

Sandra D. Kennedy
Arizona Corporation Commissioner

Cc: Commissioner Kristin Mayes, Chairman
Commissioner Gary Pierce
Commissioner Bob Stump
Commissioner Paul Newman
Ernest Johnson
Steve Olea
Janice Alward
Rebecca Wilder